

VZCZCXYZ0000
RR RUEHWEB

DE RUEHDS #3293/01 3481239
ZNR UUUUU ZZH
R 141239Z DEC 06
FM AMEMBASSY ADDIS ABABA
TO RUEHC/SECSTATE WASHDC 3723
INFO RUEHNR/AMEMBASSY NAIROBI 2730
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS ADDIS ABABA 003293

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [EINV](#) [PGOV](#) [ET](#)

SUBJECT: ETHIOPIA: WTO ACCESSION LEAPS FORWARD WITH MFTR
SUBMISSION

¶1. Summary. Ethiopia reached a significant milestone in its bid to join the World Trade Organization (WTO) when the GOE submitted the Memorandum of Foreign Trade Regime (MFTR) to the WTO Secretariat on (date). From application to membership, WTO Accession comprises three major phases: fact finding; sectoral and bilateral negotiations; and submission of working party report and protocol of accession. With submission of the MFTR, Ethiopia now embarks on the beginning of the phase two sectoral and bilateral negotiations, the most active and important phases in the accession process. With the formal submission of the MFTR and the emergence of a strong WTO champion, political insider Trade Minister Girma Birru, the Ethiopian government has demonstrated political commitment to the WTO Accession negotiations. There remains, however, a significant need for on-going coordination to ensure Ethiopia's ownership of its accession process. End Summary.

¶2. Comment. For Ethiopia, the MFTR milestone confirms the GOE's political commitment to join the WTO, signals a reform process anchored to international standards and demonstrates intent to improve Ethiopia's overall business environment. Moreover, after submission of the MFTR, Ethiopia will be expected to comply with the "standstill provision" which requires Ethiopia to refrain from issuing new laws that violates the WTO Agreements. Submission of the MFTR triggers the accession process in earnest and it is in these next phases that the real work of accession begins. Based on the experience of former acceding countries, the most significant challenge stems from the disparity between a nation's internal legal and regulatory capacity and the requirement for WTO integration. As such, assistance from donors, including USAID, is imperative to avoid pitfalls that could slow down the Working Party discussion at the early stage of the negotiations. Ethiopia's accession also presents the opportunity for the USG to constructively engage the GOE within the structured forum that the WTO engenders. End Comment.

MFTR SPARKS DEBATE, CREATES A WTO CHAMPION

¶3. The issue of Ethiopia's membership to the WTO has been the focus of much economic and political debate between the government and relevant stakeholders. A technical committee of 15 officials drawn from various GOE ministries delivered a draft of the MFTR in October 2004 to the government body responsible for approving the document, the Council of Ministers. Since 2004, approval of the MFTR stalled while government officials debated the merits of WTO accession. According to government officials and media sources, the opening of Ethiopia's financial sector to foreign investment and the lowering of customs and duty tariffs were the main sources of contention during government debates. During a November 10 Council of Ministers meeting, WTO champion Minister of Trade and Industry Girma Birru bluntly responded

to Prime Minister Meles' concerns about being "forced" to open up the financial section by saying that it was better for Ethiopia to "open up and try to become a member rather than closing the door and trying to argue." At this same November 10 meeting, the Council of Ministers approved the MFTR and its submission to the WTO Secretariat in Geneva.

ROADMAP TO WTO ACCESSION

14. Current estimates by the World Bank (WB) envision Ethiopian Accession by 2009; however, the pace of the accession process depends on both internal and external factors that are difficult to project. Without respect to time, the GOE's path the WTO accession includes the following activities.

15. Translation of the MFTR: Following submission of the officially sanctioned MFTR, the WTO Secretariat in Geneva will translate the document into the three working languages of the WTO (English, French and Spanish). The timeframe necessary to complete translation may take between 30-90 days.

16. Working on Questions and Answers: After translation, the MFTR will be circulated to WTO members. Those countries that will be participating in the Working Party meetings may require time to review and comment on the Ethiopian documentation. However, the Ministry of Trade and Industry (MoTI) may begin receiving questions as early as 30 days after submission of the official MFTR. In total, Ethiopia can expect to receive hundreds of questions from Working Party members. The question and answer phase will also include preparation of various documents - namely the ACC documents - that play key roles in the accession process. The ACC documents are technical notes that provide detailed

information on the agricultural and services sectors, sanitary and phyto-sanitary standards (SPS), technical barriers to trade (TBT), and intellectual property rights (TRIPS) policies. Drafts of these documents will be prepared in tandem and subsequent to the first round of Working Party questions. The World Bank (WB) Roadmap study allocates approximately six months for this process.

17. Convening of the Working Party Meeting: After responding to the initial round of questions, the first Working Party meeting will convene. An official delegation composed of key members of the GOE's trade team, and led by a "chief negotiator," will travel to Geneva to meet formally with members of the Working Party. This meeting may be held over one or more days and will involve a presentation by the GOE officials as well as queries and comments by the WTO members.

At the conclusion of the Working Party meeting, the Chair will report on the next steps to be taken, namely a list of additional information that the GOE will be expected to generate in anticipation advance of a follow-up meeting. Working Party members can be expected to present the GOE with lists of questions on Ethiopia's trade regime. The WB Roadmap assumes the first Working Party meeting will take place sometime in mid-2007.

18. Legislative Action Plan: Ethiopia will be required to submit a legislative action plan, outlining the legislative work program underway, as well as target dates for completion. This document should be submitted prior to the first Working Party meeting. A draft version of the action plan has been prepared by USAID in cooperation with the Ministry of Justice and will be submitted in early 2007. Draft legislation for both trademarks and customs laws have been tendered and are currently under review by the relevant ministries. Updates of the legislative action plan will occur as Ethiopia becomes aware of laws and regulations necessary to reach compliance.

19. Stakeholder Consultation: Dialogue between the relevant stakeholders, including Parliament, regional officials, the business community and civil society, is important in order to gain a full view of the possible impacts of WTO accession.

In May 2006, USAID presented information on WTO laws and practices to the Trade and Industry Committee Members of the Parliament. Beginning in September 2006, USAID developed and implemented a series of WTO awareness workshops in Ethiopia's major regional hubs. Participants include members of academia, the public sector and the private sector with particular emphasis on the private sector. Additional regional workshops, as well as industry specific workshops with key individuals from major exporting sectors, are planned for 2007.

¶10. Capacity Building: Significant work is required to strengthen the capacity of members of the national technical committee for WTO accession. During the coming months, USAID will assist the technical committee by working directly with national negotiating teams, assisting in the preparation of documentation required by the WTO Secretariat, preparing analytical papers and briefings, organizing brainstorming meetings and disseminating trade policy information. At the same time, USAID will coordinate with relevant technical committee members to ensure that the GOE does not introduce laws inconsistent with the WTO after the MFTR is submitted. Over the coming year, efforts are focused on improving the negotiation capacity of national officials. A study tour for selected Ethiopian officials to a current or formerly acceding developing country is planned so that these officials will have practical explanation for concerns that may arise during accession process.

¶11. Initial Offer and Bilateral Negotiations: Concurrent with the multilateral Working Party process, the GOE, through its designated chief negotiator, will be developing offers on market access for both goods and services. Trading partners may be expected to request reductions into Ethiopian tariffs for their products and also to request that Ethiopia make certain market access commitments to allowing operation of foreign service providers to operate in the country. The initial offer could be prepared during 2007, and bilateral negotiations could begin by the of the year, continuing through 2008.

¶12. Conclusion and Accession: Following the successful completion of bilateral and multilateral negotiations on commitments, as well as the manner and timing with which Ethiopia is to harmonize its trade regime with WTO obligations, the terms of the agreement will be approved by WTO's General Council and ratified by the GOE.

BACKGROUND ON USAID'S WTO ACCESSION PROJECT

¶13. The objective of the USAID Doha WTO Accession Project is to provide a framework for technical assistance that will enable the GOE to accede into the WTO in an organized manner.

The Project focuses on assisting Ethiopia with the legal and regulatory aspects of WTO accession, as resolution of these issues are central to Ethiopia's accession to the WTO. The overarching goals of the project are: development of Ethiopia's policy and legal framework so that it complies fully with WTO rules; outreach to build the necessary political, public and private sector support for accession; and building of institutional capacity within the Ethiopian government in order to effectively analyze trade policy measures.

Legal and Regulatory Support

¶14. The Doha Project's top priority continues to be assisting the GOE in making concrete gains in WTO-related internal reform. Identifying laws and regulations that must be brought into compliance with WTO rules is very important as submission of the memorandum will trigger full-scale work in answering working party members' questions. In preparation for this development, the project team is identifying in advance some areas of potential questions/issues anticipated to come from the working party group.

¶15. To date the Doha Project team has completed and submitted policy memos to the MoTI regarding Ethiopia's import licensing regime, export ban of hides and skins, import ban of used clothing, intellectual property rights protection and customs law. This work has resulted in draft legislation on both customs and intellectual property rights. Currently, the Doha team is finalizing work in the areas of foreign exchange and trading rights. In December, work will begin on Ethiopia's import ban on ethyl and denatured alcohol, the import ban on opiate and narcotic drugs, and the import bans on organic fertilizer and soil.

Outreach

¶16. The Doha Project frequently engages members of the technical committee, advisory committees and other interested stakeholders. To date, the project has participated in the training of approximately 375 key civil servants, Parliamentarians, members of the private sector and civil society in semi-formal training programs. Members of the Doha Team have addressed law school classes and forums organized by stakeholders at both the federal and regional levels. We have also participated in programs organized in and outside of Addis Ababa in preparation for the Economic Partnership negotiations. These stakeholder consultations have afforded the project a rare opportunity to consult with grass-roots level associations and individuals.

¶17. In partnership with the WTO Affairs Department at MoTI and the Ethiopian Chamber of Commerce, the Doha Project is currently sponsoring a series of WTO awareness workshops in Ethiopia's major regional hubs. Participants include members of academia, the public sector and the private sector with particular emphasis on the private sector. In September, a mixed group of 70 participants attended the project's first regional workshop in Bahir Dar. Another workshop in November reached a similar group in Awassa; additional workshops are planned next year in Mekele and Nazret.

¶18. The accession process, though guided and accomplished by the GOE, can be further driven by participation of the private sector and civil society. For this reason, significant additional outreach programming is essential to expediting Ethiopia's accession.

Institutional Capacity Building

¶19. The Doha team has been coordinating with members of the WTO technical working groups and has provided materials regarding WTO rules, analytical indices, explanatory notes, articles and WTO cases. The same has been done for the WTO Affairs Department in MoTI. Coordination will extend to the lawyers in the ministries from which technical committee members were selected. Per a WB Roadmap study, a WTO Reference Center is under construction with research tools, computers and books. Earlier analysis by the project team revealed that the regulations and directives of a number of Ethiopian ministries and agencies have not been published. As such, a MoTI website is being designed to help MoTI comply with WTO transparency requirements.

WILGUS